

Message Text

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USLO RIYADH

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RIYADH FOR STEPHEN BOSWORTH

FOLLOWING REPEAT LONDON 00555, SENT SECSTATE INFO BONN BRUSSELS
COPEHNAGEN DUBLIN LUXEMBOURG PARIS ROME GENEVA OTTAWA BUENOS AIRES
NEW DELHI ISLAMABAD CAIRO TOKYO 12 JAN:

QUOTE LIMITED OFFICIAL USE LONDON 00555

PLEASE DELIVER OPENING OF BUSINESS

PASS ELECTRONICALLY AGRICULTURE FOR HATHAWAY & NOVOTNY

ALSO FOR USEEC AND USMTN

TOKYO PASS SAYLOR

E.O. 11652: N/A

TAGS: EAGR

REF: LONDON 547

SUBJECT: SPECIAL SESSION OF INTERNATIONAL WHEAT COUNCIL

1. SUMMARY: AFTER LONG AND COMPLICATED NEGOTIATIONS ON
THE SECOND DAY OF THE SPECIAL SESSION OF THE COUNCIL, IT
WAS AGREED TO REQUEST THE SEC-GEN OF UNCTAD TO CONVENE A
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NEGOTIATING CONFERENCE TO EXAMINE THE POSSIBLE ELEMENTS
FOR AN INTERNATIONAL ARRANGEMENT TO REPLACE THE IWA, 1971.
THE RESOLUTION (REFTEL) WHICH WAS ACCEPTED BY THE COUNCIL
WAS GENERALLY FAVORABLE FROM STANDPOINT OF US AND OTHER
EXPORTERS. END SUMMARY.

2. SECOND DAY SPECIAL COUNCIL SESSION OPENED WITH SERIES

OF STATEMENTS BY VARIOUS DELEGATIONS EXPRESSING DESIRE TO CONVENE NEGOTIATING CONFERENCE. OTHER EXPORTERS AND US USED FORMULATION THAT CONFERENCE PURPOSE WOULD BE THE NEGOTIATING OF A NEW AGREEMENT TO REPLACE THE IWA, 1971 THAT WAS EXPIRING JUNE 30, 1978. EC WITH SUPPORT FROM SPAIN USED FORMULATION THAT NEGOTIATING CONFERENCE WOULD NEGOTIATE A QUOTE INTERNATIONAL GRAINS AGREEMENT UNQUOTE.

3. AT EXPORTERS' MEETING PREVIOUS NIGHT, CANADA, ARGENTINA AND AUSTRALIA LAID DOWN SCENARIO THAT WAS TO BE FOLLOWED IN WEDNESDAY COUNCIL SESSION. ESSENTIALLY THIS WAS: A) MAKE EFFORT TO DROP VERSION B FROM CL82/4; IN EVENT OF FAILURE, B) PURGE VERSION A CL82/4 OF REFERENCE TO GRAINS; IN EVENT OF FAILURE, C) DROP BRACKETS AROUND WHEAT IN VERSION A; D) ACHIEVE ACCEPTANCE OF AGREED EXPORTERS RESOLUTION WHICH WOULD BE SUBMITTED AS A CANADIAN PROPOSAL. OTHER EXPORTERS CLEARLY UNDERSTOOD THAT US DELEGATE WOULD HAVE TO REMAIN SILENT IN REGARD TO A) BUT WOULD ACTIVELY SUPPORT LATTER THREE ACTIONS.

4. THIS SCENARIO WAS ACTIVELY FOLLOWED IN WEDNESDAY COUNCIL SESSION AFTER OPENING STATEMENTS HAD BEEN COMPLETED. ANTICIPATED FAILURE BASED ON EC AND SPANISH OPPOSITION OCCURRED IN RELATION TO ITEMS A) AND B). REMOVAL OF BRACKETS AROUND WHEAT IN VERSION A WAS ACHIEVED LATER IN THE AFTERNOON AFTER INTRODUCTION OF LIMITED OFFICIAL USE

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CANADIAN DRAFT RESOLUTION. LACK OF ANY MENTION IN THE DRAFT RESOLUTION OF A SUB-GROUP TO DEAL WITH COARSE GRAINS DEEPLY CONCERNED EC DELEGATION.

5. CANADIAN DRAFT RESOLUTION DISTRIBUTED TO DELEGATIONS JUST PRIOR NOON BREAK. COUNCIL WAS TO CONVENE AT 1500 HOURS BUT HELD UP BY EC CAUCUS WHICH PRODUCED AN ALTERNATE DRAFT RESOLUTION. WHEN COUNCIL FINALLY CONVENED, CHAIRMAN BEGAN EXAMINATION CANADIAN DRAFT RESOLUTION PROPOSAL. THIS LED TO LONG WRANGLE IN WHICH THE EXPORTERS AND A FEW OTHER DELEGATIONS (SWEDEN AND SWITZERLAND) OPPOSED PROPOSED EC MODIFICATIONS. THIS FUTILE AND ESSENTIALLY STERILE PROCESS CONTINUED FOR NEARLY THREE HOURS WHEN CHAIRMAN POLEZHAEV TERMINATED THE ACTIVITY BY ADJOURNING COUNCIL AND APPOINTING DRAFTING GROUP (EC - SPAIN - JAPAN - EGYPT - ARGENTINA - AUSTRALIA - CANADA AND US) CHARGED WITH PRODUCING AGREED DRAFT RESOLUTION. AFTER LONG, AND AT TIMES, ACRIMONIOUS DRAFTING SESSION, GROUP PRODUCED DRAFT MUCH MORE FAVORABLE FROM EXPORTERS THAN FROM EC VIEWPOINT.

6. PIZZUTI AND EATON (EC), CONSIDERABLY UPSET OVER OUTCOME OF DRAFTING SESSION, CALLED US DELEGATE ASIDE

AND ACCUSED US OF BREAKING EC-US UNDERSTANDING ON GRAINS NEGOTIATIONS BY US REFUSAL TO ALLOW WORD "GRAINS" TO APPEAR IN FIRST PARAGRAPH RESOLUTION WHICH REQUESTED SEC-GEN UNCTAD TO CALL NEGOTIATING CONFERENCE. US DELEGATE REJECTED EC ALLEGATION AND ASSERTED US OBLIGATION TO EC-US UNDERSTANDING FULLY CARRIED OUT BY LANGUAGE INCORPORATED IN PARAGRAPH 3 RESOLUTION. FURTHER POINTED OUT THAT LANGUAGE INCORPORATED BY EC IN PARAGRAPH 3 (TO NEGOTIATE COARSE GRAINS ON BASIS TEXTS ALREADY SUBMITTED OR TO BE DEVELOPED) COULD EQUALLY BE INTERPRETED AS BREACH EC-US UNDERSTANDING. US DELEGATE ALSO WARNED EC REPS THAT USE OF WORD "GRAINS" IN PARAGRAPH ONE (A NEGOTIATING GRAINS CONFERENCE) WOULD BE EXTREMELY REPUGNANT TO NUMBER OF OTHER KEY DELEGATIONS AND IF LIMITED OFFICIAL USE

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EC PLANNED TO INSIST UPON THIS, THAT US DELEGATE WOULD FEEL OBLIGED TO REOPEN QUESTION OF LANGUAGE IN PARAGRAPH 3.

6. WHEN DRAFT BROUGHT TO FULL COUNCIL, US LED OFF DISCUSSION WITH OPENING STATEMENT TO EFFECT THAT AS IN ALL NEGOTIATED DRAFTS RESULT WAS COMPROMISE WHICH INCLUDED LANGUAGE WHICH US DID NOT LIKE AND OMITTED LANGUAGE US WOULD LIKE TO SEE INCLUDED BUT US FOUND THE DRAFT ACCEPTABLE AS A WHOLE AND WOULD PREFER IT NOT BE REOPENED IN DETAIL. THIS STATEMENT WAS QUICKLY SUPPORTED BY OTHER DELEGATIONS, PRIMARILY EXPORTERS. EC MADE EFFORT TO REINSERT WORDS "GRAINS CONFERENCE" IN FIRST PARAGRAPH BUT GAVE WAY WHEN IT BECAME CLEAR THAT THEY WERE ISOLATED AND THAT DELEGATIONS, NOW THAT IT WAS WELL ALONG IN THE EVENING, WERE RESTLESS AND TIRED OF THE WRANGLING. EC DELEGATION THEN AGREED TO WITHDRAW DEMAND FOR "GRAINS" AND TO APPROVE RESOLUTION BUT REQUESTED THAT FOLLOWING RESERVATION BE INCORPORATED IN COUNCIL MINUTES: QUOTE: THE EC INTERPRETS PARAGRAPH 1 OF THE RESOLUTION IN FOLLOWING WAY - THE INTERNATIONAL ARRANGEMENT TO BE NEGOTIATED AND WHICH MUST REPLACE THE EXISTING AGREEMENT MUST INCLUDE STABILIZATION MEASURES FOR THE WHEAT MARKET AND ALSO MEASURES WHICH ARE APPROPRIATE FOR STABILIZING THE COARSE GRAINS MARKET AND THUS FOR THE EC FUTURE NEGOTIATIONS MUST DEAL WITH ALL GRAINS. THIS POSITION IS UNILATERAL AND NON-BINDING ON OTHER MEMBERS OF THE IWC. UNQUOTE. THE ARGENTINE DELEGATION THEN ASKED TO HAVE RECORDED IN THE MINUTES THEIR CONCERN THAT PROGRESS IN ONE GROUP OF PRODUCTS IS NOT CONDITIONAL ON WHAT PROGRESS MAY BE ACHIEVED IN OTHER PRODUCTS. LASTLY, THE JAPANESE DELEGATE STATED FOR THE RECORD THAT THE GOJ CONSIDERED THAT NEGOTIATIONS FOR A NEW AGREEMENT SHOULD LIMITED OFFICIAL USE

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BE RELATED TO THE MTN, AND THE OUTCOME THEREOF SHOULD BE ONE OF THE OUTCOMES OF THE MTN AND SHOULD ALSO BE DULY ASSESSED IN THE NEGOTIATION OF AGRICULTURAL PRODUCTS IN THE MTN. SESSION TERMINATED SOMEWHAT AFTER 2100 HOURS.

8. CHAIRMAN POLEZHAEV PLAYED STRONG ROLE THROUGHOUT DAY AND WAS REPEATEDLY HELPFUL TO US AND OTHER EXPORTERS IN HIS FORMULATIONS FROM THE CHAIR.

9. CONFERENCE CHAIRMAN - DURING JANUARY 11 PLENARY, EC REPRESENTING IMPORTERS GROUP REPEATED SUPPORT FOR PAROTTE. EXPORTERS GROUP HAS NO NOMINATIONS. CHAIRMAN POLEZHAEV SAID DECISIONS ON CHAIRMANSHIP WOULD HAVE TO BE LEFT TO NEGOTIATING CONFERENCE AND MATTER WAS NOT FURTHER DISCUSSED. US DELEGATE BELIEVES THIS WAS DUE TO STRONG CANADIAN OPPOSITION IN CORRIDOR DISCUSSIONS TO PAROTTE AS CONFERENCE CHAIRMAN. ARGENTINE HELD SIMILAR VIEW. BREWSTER UNQUOTE VANCE

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